

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF SIGMA GAS	)	
CORPORATION FOR ADJUSTMENT OF	)	CASE NO. 98-244
RATES	)	

O R D E R

On April 30, 1998, Sigma Gas Corporation ("Sigma") filed an application with the Commission seeking authorization for an annual revenue increase of \$193,573.57 over its historical test year. The petition alternatively proposed an annual revenue increase of \$84,347 based on an assumption that Sigma could refinance its total debt with a low interest loan from the Department of Local Government's ("DLG") Gas Restoration System Loan Fund.

Sigma operates a natural gas distribution system in and around Magoffin County, Kentucky, serving approximately 642 customers.

On May 22, 1998, the Commission issued an Order suspending the proposed rates until October 31, 1998. On June 18, 1998 and July 20, 1998, the Commission issued Orders to Sigma requesting additional data and information about the schedules and financial exhibits filed with the petition.

No request for formal intervention was received in the case, and a hearing was scheduled for September 23, 1998.

Sigma and Commission Staff met on September 16, 1998, to review and clarify the information filed by Sigma in response to the above-mentioned Orders and to

discuss their respective recommendations on revenue requirements. As a result of the negotiations between Sigma and the Staff, a settlement was reached and the formal hearing was cancelled.

The settlement consists of a Settlement Agreement dated October 13, 1998, attached hereto as Appendix A. The Settlement Agreement provides that Sigma will be granted an increase in annual operating revenues of \$84,347. While the Settlement Agreement did not recognize an acceptance on the part of the Commission Staff of any adjustments, rate of return or any other assumptions presented by Sigma concerning revenue requirements, the Settlement Agreement did acknowledge that Sigma intends to seek authority to borrow from DLG \$1,500,000 for the purpose of refinancing its current debt and accounts payable.

During negotiations of a settlement, it was discovered that Sigma has been collecting late payment fees and customer deposits without a filed tariff. These collections were also noted by a revenue audit in 1994. Sigma will immediately cease and desist from charging or collecting any amounts not specifically contained in its tariff schedules. Specifically, Sigma will not collect a late payment penalty from its customers, a returned check fee, temporary service charge nor will it collect any deposit for service until such time as it shall file and obtain approval for such items in its tariff. Sigma is to refund all money collected through the application of the unauthorized late payment, returned check, and temporary service charges. A civil penalty of \$5,000 is assessed on two of the four violations, which penalty will be abated upon Sigma filing, on or before November 30, 1998, a revised tariff setting out the customer deposit, if any, and any other fee not currently in its tariff that Sigma intends to charge. The abatement

of the \$5,000 civil penalty is also contingent upon the refund by Sigma of the unauthorized charges.

After due consideration of the foregoing and being otherwise sufficiently advised, the Commission finds that the Settlement Agreement dated October 13, 1998, is fair and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached as Appendix A, be and hereby is incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreement are hereby adopted and approved.

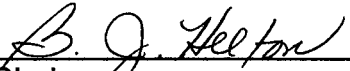
3. A civil penalty of \$5,000 is assessed against Sigma as set out in the Settlement Agreement. The \$5,000 civil penalty shall be abated upon Sigma's compliance with the terms and conditions for the abatement contained therein.

4. The rates set forth in Appendix B to this Order are approved for service rendered on and after the date of this Order.

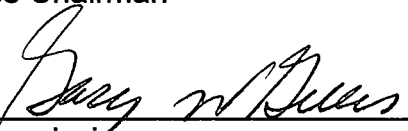
5. Sigma shall file new tariffs setting forth the rates contained in Appendix B within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 27th day of October, 1998.

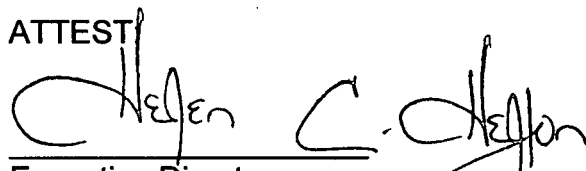
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST

  
Executive Director

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SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Sigma Gas Corporation, Inc., a Kentucky Corporation, of Magoffin County, Kentucky, ("Sigma") and the Staff of the Public Service Commission of Kentucky ("Commission").

WHEREAS, Sigma filed an application with the Commission on April 30, 1998, seeking authorization for an annual revenue increase of \$193,573.57 over its test year; and for an adjustment of its rates to \$12.00 as a minimum bill and \$11.25 per mcf effective June 1, 1998; and in that petition alternatively proposed an annual revenue increase of \$84,347 based on an assumption that Sigma could refinance its total debt with a low interest loan from the Department of Local Government's ("DLG") Gas Restoration System Loan Fund; and

WHEREAS, the Commission issued an Order suspending those rates until October 31, 1998; and

WHEREAS, on June 18, 1998 and July 20, 1998, the Commission issued Orders requesting additional data and information about the petition; and

WHEREAS, Sigma and Commission Staff met on September 16, 1998, to discuss their respective recommendations on revenue requirements and to review and clarify the information filed by Sigma in response to the above previous Orders; and

WHEREAS, Sigma proposed, for purposes of settlement of this case, a revenue increase of \$84,347. The increase proposed by Sigma was based on its determination of the reduction in revenue requirement associated with its plan to refinance its debt with DLG; and

WHEREAS, Sigma indicates it intends to file a petition with DLG for financing within 10 days of an Order of the Commission approving this settlement.

NOW, THEREFORE, be it resolved and stipulated that:

1. Sigma operates a natural gas distribution system in and around Magoffin County, Kentucky, serving approximately 642 customers.

2. For purposes of settlement of this case, Sigma proposed an annual revenue increase of \$84,347. Sigma intends to seek authority to borrow from DLG \$1,500,000 to refinance its current debt and accounts payable. It is Sigma's contention that the refinancing will lower its annual debt service payments by \$109,226 which is the difference in the requested increase of \$193,573 and the settlement proposal of \$84,347 and that the increase in revenue will meet the projected debt service.

3. Sigma and the Commission Staff agree that Sigma may increase its rates by \$84,347.

4. Sigma and Commission Staff agree that a \$9.5803 minimum bill and \$7.8825 per mcf is reasonable and should become effective for service rendered on and after the date of the final Order approving this settlement.

5. Nothing in this Agreement shall constitute an acceptance by Commission Staff of any of the pro-forma adjustments, rate of return, or any other assumption regarding determination of revenue requirements presented by Sigma in this case.

6. Sigma stipulates that it will immediately cease and desist from charging or collecting any amounts not specifically contained in its tariff schedules. Specifically, Sigma will not collect a late payment penalty from its customers, a returned check fee,

temporary service charge nor will it collect any deposit for service until such time as it shall file and obtain approval for such items in its tariff.

7. Sigma agrees that it has been collecting late payment fees and customer deposits without a filed tariff. Sigma agrees that a financial audit performed by the Commission's Financial Audit branch for the calendar year 1994 also showed that Sigma was collecting a returned check fee and a temporary service charge which were not included in its tariff. Sigma agrees to refund all money collected through the continuing application of the unauthorized late payment, returned check, and temporary service charges. Sigma understands that a fine of \$5,000 will be levied on two of the four violations. The \$5,000 fine is to be abated upon Sigma filing, on or before November 30, 1998, a revised tariff setting out the customer deposit, if any, and any other fee not currently in its tariff that Sigma intends to charge. The abatement of the aforementioned fine is also contingent upon the refund by Sigma of the unauthorized charges for late payment; returned check and temporary service charges. If Sigma does not intend to charge some or all of the fees mentioned herein, it should so notify the Commission as part of its November 30, 1998 filing. If Sigma does not include any such item in its tariff, Sigma understands and agrees it shall not charge for or collect any such charge. Sigma agrees to file a report of amounts refunded with the Commission by December 1, 1998.

8. Sigma agrees to give priority in the payment of its expenses to the payment of its current gas suppliers and to provide reports of such payments. Sigma agrees to provide reports of gas supply payments, both past due and current consisting of copies of paid invoices and cancelled checks on a quarterly basis to the Commission. Said reports by Sigma Gas shall be filed with its Gas Cost Adjustment filing.

9. Based upon the application and the information filed by Sigma, the negotiated rate increase, and considering the issues of violations of Commission regulations and the resolution thereof, this settlement is reasonable and in the public interest.

10. This agreement is submitted for the purposes of this case only and is not deemed binding upon the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

11. This settlement agreement is subject to the approval of the Public Service Commission.

12. If the PSC fails to adopt this agreement in its entirety, Sigma reserves the right to withdraw from it and to proceed with its rate case. In such event, none of the matters contained in this settlement shall be binding on any of the parties.

13. If the settlement is adopted in its entirety by the PSC, this settlement shall constitute a final adjudication of the rate proceeding without the need for any additional hearing.

14. If the settlement agreement is accepted by the PSC, the parties agree not to request rehearing or to file an appeal of the order to the Franklin Circuit Court.

AGREED TO BY:

By:

John R. Heyler

Date:

10/13/98

Title:

Attorney for Sigma Gas

PSC STAFF

By:

James R. Goff

Date:

October 13 1998

Title:

Staff Attorney



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 98-244 DATED OCTOBER 27, 1998

The following rates and charges are prescribed for the customers in the area served by Sigma Gas Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Rates

	<u>Base Rate</u>	<u>Gas Cost Recovery</u>	<u>Total</u>
First Mcf (Minimum Bill)	\$6.25	\$3.3303	\$9.5803
All Over 1 Mcf	\$4.5522	\$3.3303	\$7.8825